

BALL JANIK LLP
ATTORNEYS

1455 F STREET, NW, SUITE 225
WASHINGTON, D.C. 20005

TELEPHONE 202-638-3307
FACSIMILE 202-783-6947

LOUIS E. GITOMER
OF COUNSEL
(202) 466-6532

lgitomer@bjllp.com

July 29, 1998

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Washington, DC 20423

Dear Secretary Williams:

I have enclosed two originals of a Master Lease Agreement and Lease Schedule No. 1000066780, both described below, to be recorded pursuant to 49 U.S.C. §11301.

I. The first document is a Master Lease Agreement, a primary document, dated as of July 27, 1998. Please record this document under the next available Recordation Number. The names and addresses of the parties to the Master Lease Agreement are:

Lessor:

Banc One Leasing Corporation
1111 Polaris Parkway, Suite A3
Columbus, OH 43240

Lessees:

Huron and Eastern Railway Company, Inc.
Saginaw Valley Railway Company, Inc.
South Central Tennessee Railroad Corporation
Delaware Valley Railway Company, Inc.
Dakota Rail, Inc.
West Texas and Lubbock Railroad Company, Inc.
Cascade and Columbia River Railroad Company, Inc.
Otter Tail Valley Railroad Company, Inc.
Minnesota Northern Railroad, Inc.
St. Croix Valley Railroad Company, Inc.
301 Yamato Road, Suite 1190
Boca Raton, FL 33431

b1raam10.03

Primary
RECORDATION NO. **21536** FILED
JUL 29 '98 2-49 PM

RECORDATION NO. **21536-A** FILED
JUL 29 '98 2-49 PM

RECEIVED
SURFACE TRANSPORTATION
BOARD
JUL 29 2 49 PM '98

Honorable Vernon A. Williams

July 29, 1998

Page 2

A description of the equipment covered by the Master Lease Agreement consists of four GP-9 locomotives numbered 1463, 1471, 1483, and 1484, and one GP-38 locomotive numbered 2776.

II. The second document is Lease Schedule Number 1000066780, a secondary document, dated as of July 27, 1998. We request that this document be recorded under the A suffix of the Recordation Number for the Master Lease Agreement. The names and addresses of the parties to Schedule Number 1000066780 are:

Lessor:

Banc One Leasing Corporation
1111 Polaris Parkway, Suite A3
Columbus, OH 43240

Lessees:

Huron and Eastern Railway Company, Inc.
Saginaw Valley Railway Company, Inc.
South Central Tennessee Railroad Corporation
Delaware Valley Railway Company, Inc.
Dakota Rail, Inc.
West Texas and Lubbock Railroad Company, Inc.
Cascade and Columbia River Railroad Company, Inc.
Otter Tail Valley Railroad Company, Inc.
Minnesota Northern Railroad, Inc.
St. Croix Valley Railroad Company, Inc.
301 Yamato Road, Suite 1190
Boca Raton, FL 33431

A description of the equipment covered by Schedule Number 1000066780 consists of four GP-9 locomotives numbered 1463, 1471, 1483, and 1484, and one GP-38 locomotive numbered 2776.

BALL JANIK LLP

Honorable Vernon A. Williams

July 29, 1998

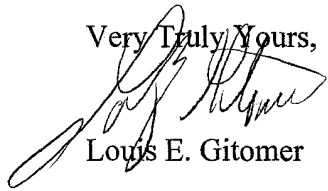
Page 3

A fee of \$52.00 is enclosed. Please return one original of each document to:

Louis E. Gitomer
Of Counsel
Ball Janik LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005

A short summary of the documents to appear in the index follows: (1) Master Lease Agreement between Banc One Leasing Corporation, 1111 Polaris Parkway, Suite A3, Columbus, OH 43240, and Huron and Eastern Railway Company, Inc., Saginaw Valley Railway Company, Inc., South Central Tennessee Railroad Corporation, Delaware Valley Railway Company, Inc., Dakota Rail, Inc., West Texas and Lubbock Railroad Company, Inc., Cascade and Columbia River Railroad Company, Inc., Otter Tail Valley Railroad Company, Inc., Minnesota Northern Railroad, Inc., St. Croix Valley Railroad Company, Inc., 301 Yamato Road, Suite 1190, Boca Raton, FL 33431; and (2) Schedule Number 1000066780 between Banc One Leasing Corporation, 1111 Polaris Parkway, Suite A3, Columbus, OH 43240, and Huron and Eastern Railway Company, Inc., Saginaw Valley Railway Company, Inc., South Central Tennessee Railroad Corporation, Delaware Valley Railway Company, Inc., Dakota Rail, Inc., West Texas and Lubbock Railroad Company, Inc., Cascade and Columbia River Railroad Company, Inc., Otter Tail Valley Railroad Company, Inc., Minnesota Northern Railroad, Inc., St. Croix Valley Railroad Company, Inc., 301 Yamato Road, Suite 1190, Boca Raton, FL 33431, both covering four GP-9 locomotives numbered 1463, 1471, 1483, and 1484, and one GP-38 locomotive numbered 2776.

Very Truly Yours,



Louis E. Gitomer

Enclosures

MASTER LEASE AGREEMENT

RECORDATION NO. 21536

FILED

Dated As Of: 7/27/98

JUL 29 '98

2-49 PM

This MASTER LEASE AGREEMENT is made and entered into by and between BANC ONE LEASING CORPORATION ("Lessor"), an Ohio corporation, with its principal place of business at 1111 Polaris Parkway, Suite A3, Columbus, Ohio 43240 and the Lessee identified below:

LESSEE NAME: Huron and Eastern Railway Co., Inc.; Saginaw Valley Railway Company, Inc.; South Central Tennessee Railroad Corp.; Delaware Valley Railway Co., Inc.; Dakota Rail, Inc.; West Texas and Lubbock Railroad Co., Inc.; Cascade and Columbia River Railroad Co., Inc.; Otter Tail Valley Railroad Company, Inc.; Minnesota Northern Railroad, Inc.; St. Croix Valley Railroad Company, Inc.

LESSEE ADDRESS: 301 Yamato Road, Suite 1190, Boca Raton, FL 33431

1. **LEASE OF EQUIPMENT:** Lessor leases to Lessee, and Lessee leases from Lessor, all the property described in the Lease Schedules which are signed from time to time by Lessor and Lessee.

2. **CERTAIN DEFINITIONS:** "Schedule" means each Lease Schedule signed by Lessee and Lessor which incorporates the terms of this Master Lease Agreement, together with all exhibits, riders, attachments and addenda thereto. "Equipment" means the property described in each Schedule, together with all attachments, additions, accessions, parts, repairs, improvements, replacements and substitutions thereto. "Lease", "herein", "hereunder", "hereof" and similar words mean this Master Lease Agreement and all Schedules, together with all exhibits, riders, attachments and addenda to any of the foregoing, as the same may from time to time be amended, modified or supplemented. "Prime Rate" means the prime rate of interest announced from time to time as the prime rate by Bank One, Columbus, NA; provided, that the parties acknowledge that the Prime Rate is not intended to be the lowest rate of interest charged by said bank in connection with extensions of credit. "Lien" means any security interest, lien, mortgage, pledge, encumbrance, judgment, execution, attachment, warrant, writ, levy, other judicial process or claim of any nature whatsoever by or of any person. "Fair Market Value" means the amount which would be paid for an item of Equipment by an informed and willing buyer (other than a used equipment or scrap dealer) and an informed and willing seller neither under a compulsion to buy or sell. "Lessor's Cost" means the invoiced price of any item of Equipment plus any other cost to Lessor of acquiring an item of Equipment. All terms defined in the Lease are equally applicable to both the singular and plural form of such terms. "AAR" shall mean Association of American Railroads.

3. **LEASE TERM AND RENT:** The term of the lease of the Equipment described in each Schedule ("Lease Term") commences on the date stated in the Schedule and continues for the term stated therein. As rent for the Equipment described in each Schedule, Lessee shall pay Lessor the rent payments and all other amounts stated in such Schedule, payable on the dates specified therein. All payments

due under the Lease shall be made in United States dollars at Lessor's office stated in the opening paragraph or as otherwise directed by Lessor in writing.

4. **ORDERING, DELIVERY, REMOVAL AND INSPECTION OF EQUIPMENT:** If an event of default occurs or if for any reason Lessee does not accept, or revokes its acceptance of, equipment covered by a purchase order or purchase contract or if any commitment or agreement of Lessor to lease equipment to Lessee expires, terminates or is otherwise canceled, then automatically upon notice from Lessor, any purchase order or purchase contract and all obligations thereunder shall be assigned to Lessee and Lessee shall pay and perform all obligations thereunder. Lessee agrees to pay, defend, indemnify and hold Lessor harmless from any liabilities, obligations, claims, costs and expenses (including reasonable attorney fees and expenses) of whatever kind imposed on or asserted against Lessor in any way related to any purchase orders or purchase contracts. Lessee shall make all arrangements for, and Lessee shall pay all costs of, transportation, delivery, installation and testing of Equipment. Lessor has the right upon reasonable notice to Lessee to inspect the Equipment wherever located on Lessee's property. Lessor may enter upon any premises of Lessee where Equipment is located and remove it immediately, without notice or liability to Lessee, upon the expiration or other termination of the Lease Term.

5. **MAINTENANCE AND USE:** Lessee agrees it will, at its sole expense: (a) repair and maintain the Equipment in good condition and working order and supply and install all replacement parts or other devices when required to so maintain the Equipment or when required by applicable law or regulation, which parts or devices shall automatically become part of the Equipment; (b) use and operate the Equipment in a careful manner in the normal course of its business and only for the purposes for which it was designed in accordance with the manufacturer's warranty requirements; and comply with all laws and regulations relating to the Equipment, and obtain all permits or licenses necessary to install, use or operate the Equipment; and (c) make no alterations, additions, subtractions, upgrades or improvements to the Equipment which are not required and completed in compliance with applicable Interchange standards of the AAR without Lessor's prior written consent, but any such alterations, additions, upgrades or improvements shall automatically become part of the Equipment. The Equipment will not be used or located outside of the United States.

6. **NET LEASE; NO EARLY TERMINATION:** The Lease is a net lease. Lessee's obligation to pay all rent and all other amounts payable under the Lease is absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character including, without limitation, (a) any setoff, claim, counterclaim, defense or reduction which Lessee may have at any time against Lessor or any other party for any reason, or (b) any defect in the condition, design or operation of, any lack of fitness for use of, any damage to or loss of, or any lack of maintenance or service for any of the Equipment. Each Schedule is a noncancelable lease of the Equipment described therein and Lessee's obligation to pay rent and perform all other obligations thereunder and under the Lease are not subject to cancellation or termination by Lessee for any reason.

7. **NO WARRANTIES BY LESSOR:** LESSOR LEASES THE EQUIPMENT AS-IS, WHERE-IS, AND WITH ALL FAULTS. LESSOR MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, OF ANY KIND AS TO THE EQUIPMENT INCLUDING, WITHOUT LIMITATION: ITS MERCHANTABILITY; ITS FITNESS FOR ANY PARTICULAR PURPOSE; ITS DESIGN, CONDITION,

QUALITY, CAPACITY, DURABILITY, CAPABILITY, SUITABILITY OR WORKMANSHIP; ITS NON-INTERFERENCE WITH OR NON-INFRINGEMENT OF ANY PATENT, TRADEMARK, COPYRIGHT OR OTHER INTELLECTUAL PROPERTY RIGHT; OR ITS COMPLIANCE WITH ANY LAW, RULE, SPECIFICATION, PURCHASE ORDER OR CONTRACT PERTAINING THERETO. Lessor hereby assigns to Lessee the benefit of any assignable manufacturer's or supplier's warranties, but Lessor, at Lessee's written request, will cooperate with Lessee in pursuing any remedies Lessee may have under such warranties. Any action taken with regard to warranty claims against any manufacturer or supplier by Lessee will be at Lessee's sole expense. LESSOR MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OF ANY KIND AS TO THE FINANCIAL CONDITION OR FINANCIAL STATEMENTS OF ANY PARTY OR AS TO THE TAX OR ACCOUNTING TREATMENT OR CONSEQUENCES OF THE LEASE, THE EQUIPMENT OR THE RENTAL PAYMENTS.

8. **INSURANCE:** Lessee at its sole expense shall at all times keep each item of Equipment insured against all risks of loss or damage from every cause whatsoever for an amount not less than the greater of the full replacement value or the Lessor's Cost of such item of Equipment. Lessee at its sole expense shall at all times carry public liability and property damage insurance in amounts satisfactory to Lessor protecting Lessee and Lessor from liabilities for injuries to persons and damage to property of others relating in any way to the Equipment. All insurers shall be reasonably satisfactory to Lessor. Lessee shall deliver to Lessor satisfactory evidence of such coverage. Proceeds of any insurance covering damage or loss of the Equipment shall be payable to Lessor as loss payee and shall, at Lessor's option, be applied toward (a) the replacement, restoration or repair of the Equipment, or (b) payment of the obligations of Lessee under the Lease. Proceeds of any public liability or property insurance shall be payable first to Lessor as additional insured to the extent of its liability, then to Lessee. If an event of default occurs and is continuing, or if Lessee fails to make timely payments due under Section 9 hereof, then Lessee automatically appoints Lessor as Lessee's attorney-in-fact with full power and authority in the place of Lessee and in the name of Lessee or Lessor to make claim for, receive payment of, and sign and endorse all documents, checks or drafts for loss or damage under any such policy. Each insurance policy will require that the insurer give Lessor at least 30 days prior written notice of any cancellation of such policy and will require that Lessor's interests remain insured regardless of any act, error, omission, neglect or misrepresentation of Lessee. The insurance maintained by Lessee shall be primary without any right of contribution from insurance which may be maintained by Lessor.

9. **LOSS AND DAMAGE:** (a) Lessee bears the entire risk of loss, theft, damage or destruction of Equipment in whole or in part from any reason whatsoever ("Casualty Loss"). No Casualty Loss to Equipment shall relieve Lessee from the obligation to pay rent or from any other obligation under the Lease, except to the extent Lessee has paid the Stipulated Loss Value for Lost Equipment as provided herein. In the event of Casualty Loss to any item of Equipment, Lessee shall immediately notify Lessor of the same and Lessee shall, if so directed by Lessor, immediately repair the same. If Lessor determines that any item of Equipment has suffered a Casualty Loss beyond repair ("Lost Equipment"), then Lessee shall on the rent payment date which is at least 30 but no more than 60 days after the date of the Casualty Loss, pay to Lessor all amounts then due and payable by Lessee under the Lease for the Lost Equipment plus the Stipulated Loss Value for such Lost Equipment as of the date of the Casualty Loss. Upon payment by Lessee of all amounts due under the above clause (2), the lease of the Lost Equipment will terminate and Lessor shall transfer by bill of sale to Lessee all

of Lessor's right, title and interest in such Equipment on an "as-is, where-is" basis with all faults, without recourse and without representation or warranty of any kind, express or implied.

(b) "Stipulated Loss Value" of any item of Equipment during its Lease Term shall be determined by the Exhibit A to Lease Schedule (Stipulated Loss Values) if such an Exhibit is attached to a Schedule, otherwise Stipulated Loss Value equals the present value discounted in arrears to the applicable date at the applicable SLV Discount Rate of (1) the remaining rents and all other amounts [including, without limitation, any balloon payment and, as to a terminal rental adjustment clause ("TRAC") lease, the TRAC value stated in the Schedule, and any other payments required to be paid by Lessee at the end of the applicable Lease Term] payable under the Lease for such item on and after such date to the end of the applicable Lease Term and (2) an amount equal to the Economic Value of the Equipment. For any item of Equipment, "Economic Value" means the Fair Market Value of the Equipment at the end of the applicable Lease Term as originally anticipated by Lessor at the Commencement Date of the applicable Schedule; provided, that Lessee agrees that such value shall be determined by the books of Lessor as of the Commencement Date of the applicable Schedule. After the payment of all rent due under the applicable Schedule and the expiration of the Lease Term of any item of Equipment, the Stipulated Loss Value of such item equals the Economic Value of such item. Stipulated Loss Value shall also include any Taxes payable by Lessor in connection with its receipt thereof. For any item of Equipment, "SLV Discount Rate" means an interest rate equal to the Prime Rate in effect on the Commencement Date of the Schedule for such item minus two percentage points.

10. TAX BENEFITS INDEMNITY. (a) The Lease has been entered into on the basis that Lessor shall be entitled to such deductions, credits and other tax benefits as are provided by federal, state and local income tax law to an owner of the Equipment (the "Tax Benefits") including, without limitation: (1) modified accelerated cost recovery deductions on each item of Equipment under Section 168 of the Code (as defined below) in an amount determined commencing with the taxable year in which the Commencement Date of the applicable Schedule occurs, using the maximum allowable depreciation method available under Section 168 of the Code, using a recovery period (as defined in Section 168 of the Code) reasonably determined by Lessor, and using an initial adjusted basis which is equal to the Lessor's Cost of such item; (2) amortization of the expenses paid by Lessor in connection with the Lease on a straight-line basis over the term of the applicable Schedule; and (3) Lessor's federal taxable income will be subject to the maximum rate on corporations in effect under the Code as of the Commencement Date of the applicable Schedule.

(b) If on any one or more occasions (1) Lessor shall lose, shall not have or shall lose the right to claim all or any part of the Tax Benefits, or (2) there shall be reduced, disallowed, recalculated or recaptured all or any part of the Tax Benefits (each of the events described in subparagraphs 1 or 2 of this paragraph (b) will be referred to as a "Tax Loss"), then, upon 30 days written notice by Lessor to Lessee that a Tax Loss has occurred, Lessee shall pay Lessor an amount which, in the reasonable opinion of Lessor and after the deduction of all taxes required to be paid by Lessor with respect to the receipt of such amount, will provide Lessor with the same after-tax net economic yield which was originally anticipated by Lessor as of the Commencement Date of the applicable Schedule.

(c) A Tax Loss shall occur upon the earliest of: (1) the happening of any event (such as disposition or change in use of an item of Equipment) which may cause such Tax Loss; (2) Lessor's payment to the applicable taxing authority of the tax increase resulting from such Tax Loss; or (3) the adjustment of Lessor's tax return to reflect such Tax Loss.

(d) Lessor shall not be entitled to payment under this section for any Tax Loss caused solely by one or more of the following events: (1) a disqualifying sale or disposition of an item of Equipment by Lessor prior to any default by Lessee; (2) Lessor's failure to timely or properly claim the Tax Benefits in Lessor's tax return; (3) a disqualifying change in the nature of Lessor's business or liquidation thereof; (4) a foreclosure by any person holding through Lessor a security interest on an item of Equipment which foreclosure results solely from an act of Lessor; (5) Lessor's failure to have sufficient taxable income or tax liability to utilize the Tax Benefits; or (6) changes in the tax laws of any jurisdiction.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended. For the purposes of this section 10, the term "Lessor" shall include any affiliate group (within the meaning of section 1504 of the Code) of which Lessor is a member for any year in which a consolidated income tax return is filed for such affiliated group. Lessee's obligations under this section shall survive the expiration, cancellation or termination of the Lease.

(f) If a Tax Loss has occurred, at Lessee's option, Lessee may elect to terminate the Lease and purchase all (but not less than all) the Equipment by paying to Lessor the sum of (1) all amounts then due and payable pursuant to the Lease; (2) an amount equal to the greater of (a) the Fair Market Value of the Equipment, or (b) the Termination Value as set forth on the Exhibit B to Lease Schedule (Termination Value) attached to each Schedule; (3) any applicable Taxes on the sale of the Equipment; and (4) the amount which, when added to the amounts set forth in (1), (2), and (3) above, in the reasonable opinion of Lessor and after the deduction of all taxes required to be paid by Lessor with respect to the receipt of such amount, will provide Lessor with the same after-tax net economic yield which was originally anticipated by Lessor as of the Commencement Date of the applicable Schedule.

11. GENERAL TAX INDEMNITY: Lessee will pay, and will defend, indemnify and hold Lessor harmless on an after-tax basis from, any and all Taxes (as defined below) and related audit and contest expenses on or relating to (a) any of the Equipment, (b) the Lease, (c) purchase, acceptance, ownership, lease, possession, use, operation, transportation, return or other disposition of any of the Equipment, and (d) rentals or earnings relating to any of the Equipment or the Lease. "Taxes" means present and future taxes or other governmental charges that are not based on the net income of Lessor, whether they are assessed to or payable by Lessee or Lessor, including, without limitation (i) sales, use, excise, licensing, registration, titling, gross receipts, stamp and personal property taxes, (ii) levies, imposts, duties, assessments, charges and withholdings, (iii) penalties, fines, and additions to tax and (iv) interest on any of the foregoing. Notwithstanding anything to the contrary contained herein, Lessor shall not be entitled to payment hereunder for 1) any income, franchise or capital gains taxes in each case that are on or measured by net income (including any minimum or alternative minimum taxes and any income taxes measured by items of tax preference), capital or net worth (including, without limitation,

any taxes collected by withholding); 2) any taxes, in respect of any period after the expiration or early termination of this Lease; 3) any taxes, which arise out of or caused by the gross negligence or willful misconduct of Lessor; 4) any taxes imposed against a transferee of Lessor to the extent of the excess of such taxes over the amount thereof which would have been imposed had there not been such a transfer (except a transfer arising from an event of default); 5) taxes resulting from the sale of the Equipment by Lessor other than a transfer arising from an event of default; and 6) for the amount of any Tax Benefits lost with respect to any piece of Equipment for which Lessee has paid the Stipulated Loss Value set forth in Section 8 hereof. Unless Lessor elects otherwise, Lessor will prepare and file all reports and returns relating to any Taxes and will pay all Taxes to the appropriate taxing authority. Lessee will reimburse Lessor for all such payments promptly on request. On or after any applicable assessment/levy/lien date for any personal property Taxes relating to any Equipment, Lessee agrees that upon Lessor's request Lessee shall pay to Lessor the personal property Taxes which Lessor reasonably anticipates will be due, assessed, levied or otherwise imposed on any Equipment during its Lease Term. If Lessor elects in writing, Lessee will itself prepare and file all such reports and returns, pay all such Taxes directly to the taxing authority, and send Lessor evidence thereof. Lessee's obligations under this section shall survive the expiration, cancellation or termination of the Lease. Lessee may, at its expense, by appropriate legal proceedings, contest or defend an asserted claim or liability for which Lessor is indemnified. Any contest or defense conducted pursuant to this Section may be conducted by Lessee on its own behalf or, if required by the applicable jurisdiction, in Lessor's name on Lessor's behalf.

12. GENERAL INDEMNITY: Lessee assumes all risk and liability for, and shall defend, indemnify and keep Lessor harmless on an after-tax basis from, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs and expenses, including reasonable attorney fees and expenses, of whatsoever kind and nature imposed on, incurred by or asserted against Lessor, in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, possession, use, selection, delivery, lease, operation, condition, sale, return or other disposition of the Equipment or any part thereof (including, without limitation, any claim for latent or other defects, whether or not discoverable by Lessee or any other person, any claim for negligence, tort or strict liability, any claim under any environmental protection or hazardous waste law and any claim for patent, trademark or copyright infringement). Lessee will not indemnify Lessor under this section for (i) loss or liability arising from events which occur after the Equipment has been returned to Lessor, (ii) for loss or liability caused directly and solely by the gross negligence or willful misconduct of Lessor, or (iii) for claims arising from the sale of the Equipment by Lessor other than a sale following the occurrence of an event of default. In this section, "Lessor" also includes any director, officer, employee, agent, successor or assign of Lessor. Lessee's obligations under this section shall survive the expiration, cancellation or termination of the Lease.

13. PERSONAL PROPERTY: Lessee represents and agrees that the Equipment is, and shall at all times remain, separately identifiable personal property. Upon Lessor's request, Lessee shall furnish Lessor a landlord's and/or mortgagee's waiver and consent to remove all Equipment. Lessor may display notice of its interest in the Equipment by any reasonable identification. Lessee shall not alter or deface any such indicia of Lessor's interest.

14. **DEFAULT:** Each of the following events shall constitute an event of default under the Lease: (a) Lessee fails to pay any rent or other amount due under the Lease within ten days of its due date; or (b) Lessee fails to perform or observe any of its obligations in Sections 8, 18, or 22 hereof; or (c) Lessee fails to perform or observe any of its other obligations in the Lease for more than 30 days after Lessor notifies Lessee of such failure (extended for an additional 30 days if Lessee is diligently pursuing a cure and a cure is possible within the additional 30 days); or (d) Lessee or any Lessee affiliate defaults in the payment, performance or observance of any obligation under any loan, credit agreement or other lease in which Lessor or any subsidiary (direct or indirect) of Banc One Corporation (which is Lessor's ultimate parent corporation) is the creditor or lessor; or (e) any statement, representation or warranty made by Lessee in the Lease, in any Schedule or in any document, certificate or financial statement in connection with the Lease proves at any time to have been untrue or misleading in any material respect as of the time when made; or (f) Lessee becomes insolvent or bankrupt, or Lessee admits its inability to pay its debts as they mature, or Lessee makes an assignment for the benefit of creditors, or Lessee applies for, institutes or consents to the appointment of a receiver, trustee or similar official for Lessee or any substantial part of its property or any such official is appointed without Lessee's consent, or Lessee applies for, institutes or consents to any bankruptcy, insolvency, reorganization, debt moratorium, liquidation or similar proceeding relating to Lessee or any substantial part of its property under the laws of any jurisdiction or any such proceeding is instituted against Lessee without stay or dismissal for more than 30 days, or Lessee commences any act amounting to a business failure or a winding up of its affairs, or Lessee ceases to do business as a going concern; or (g) with respect to any guaranty, letter of credit, pledge agreement, security agreement, mortgage, deed of trust, debt subordination agreement or other credit enhancement or credit support agreement (whether now existing or hereafter arising) signed or issued by any party in connection with all or any part of Lessee's obligations under the Lease, the party signing or issuing any such agreement defaults in its obligations thereunder or any such agreement shall cease to be in full force and effect or shall be declared to be null, void, invalid or unenforceable by the party signing or issuing it; or (h) if any Lender (as defined in the Loan Agreement) under the Loan Agreement (as hereinafter defined) exercises any of its remedies as a result of the existence of a default or an event of default under the Loan Agreement, including the right to accelerate payment thereunder. "Loan Agreement" shall mean the Loan Agreement dated as of May 23, 1997 by and among National Bank of Canada, Comerica Bank, and Southtrust Bank, National Association, as lenders, and RailAmerica, Inc. and others, as borrowers, as amended or replaced from time to time.

As used in this section 14, the term "Lessee" also includes any guarantor (whether now existing or hereafter arising) of all or any part of Lessee's obligations under the Lease and/or any issuer of a letter of credit (whether now existing or hereafter arising) relating to all or any part of Lessee's obligations under the Lease, and the term "Lease" also includes any guaranty or letter of credit (whether now existing or hereafter arising) relating to all or any part of Lessee's obligations under the Lease.

15. **REMEDIES.** If any event of default exists, Lessor may exercise in any order one or more of the remedies described in the lettered subparagraphs of this section, and Lessee shall perform its obligations imposed thereby:

(a) Lessor may require Lessee to return any or all Equipment as provided in the Lease.

(b) Lessor or its agent may repossess any or all Equipment wherever found, may enter the premises where the Equipment is located and disconnect, render unusable and remove it, and may use such premises without charge to store or show the Equipment for sale.

(c) Lessor may sell any or all Equipment at public or private sale, with or without advertisement or publication, may re-lease or otherwise dispose of it or may use, hold or keep it.

(d) Lessor may require Lessee to pay to Lessor on a date specified by Lessor, with respect to any or all Equipment (i) all accrued and unpaid rent, late charges and other amounts due under the Lease on or before such date, plus (ii) as liquidated damages for loss of a bargain and not as a penalty, and in lieu of any further payments of rent, the Stipulated Loss Value of the Equipment on such date, plus (iii) interest at the Overdue Rate on the total of the foregoing ("Overdue Rate" means an interest rate per annum equal to the higher of 18% or 2% over the Prime Rate, but not to exceed the highest rate permitted by applicable law). The parties acknowledge that the foregoing money damage calculation reasonably reflects Lessor's anticipated loss with respect to the Equipment and the related Lease resulting from the event of default. If an event of default under section 14 (f) of this Master Lease Agreement exists, then Lessee will be automatically liable to pay Lessor the foregoing amounts as of the next rent payment date unless Lessor otherwise elects in writing.

(e) Lessee shall pay all costs, expenses and damages incurred by Lessor because of the event of default or its actions under this section, including, without limitation any collection agency and/or attorney fees and expenses, any costs related to the repossession, safekeeping, storage, repair, reconditioning or disposition of the Equipment and any incidental and consequential damages.

(f) Lessor may terminate the Lease and/or any or all Schedules, may sue to enforce Lessee's performance of its obligations under the Lease and/or may exercise any other right or remedy then available to Lessor at law or in equity.

Lessor is not required to take any legal process or give Lessee any notice before exercising any of the above remedies. None of the above remedies is exclusive, but each is cumulative and in addition to any other remedy available to Lessor. Lessor's exercise of one or more remedies shall not preclude its exercise of any other remedy. No action taken by Lessor shall release Lessee from any of its obligations to Lessor. No delay or failure on the part of Lessor to exercise any right hereunder shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise of any right preclude any other exercise thereof or the exercise of any other right. After any default, Lessor's acceptance of any payment by Lessee under the Lease shall not constitute a waiver by Lessor of such default, regardless of Lessor's knowledge or lack of knowledge at the time of such payment, and shall not constitute a reinstatement of the Lease if the Lease has been declared in default by Lessor, unless Lessor has agreed in writing to reinstate the Lease and to waive the default.

If Lessor actually repossesses any Equipment, then it will use commercially

reasonable efforts under the then current circumstances to attempt to mitigate its damages; provided, that Lessor shall not be required to sell, re-lease or otherwise dispose of any Equipment prior to Lessor enforcing any of the remedies described above. Lessor may sell or re-lease the Equipment in any manner it chooses, free and clear of any claims or rights of Lessee and without any duty to account to Lessee with respect thereto except as provided below. If Lessor actually sells or re-leases the Equipment, it will credit the net proceeds of any sale of the Equipment, or the net present value (discounted at the then current Prime Rate) of the rents payable under any new lease of the Equipment, against and up to (but not exceeding) the Stipulated Loss Value of the Equipment and any other amounts Lessee owes Lessor, or will reimburse Lessee for and up to (but not exceeding) Lessee's payment thereof. The term "net" as used above shall mean such amount after deducting the costs and expenses described in clause (e) above of this section. If Lessor elects in writing not to sell or re-lease any Equipment, it will similarly credit or reimburse Lessee for Lessor's reasonable estimate of such Equipment's Fair Market Value.

16. LESSOR'S RIGHT TO PERFORM: If Lessee fails to make any payment under the Lease or fails to perform any of its other agreements in the Lease (including, without limitation, its agreement to provide insurance coverage as stated in the Lease), Lessor may itself make such payment or perform such agreement, and the amount of such payment and the amount of the expenses of Lessor incurred in connection with such payment or performance shall be deemed to be additional rent, payable by Lessee on demand.

17. FINANCIAL STATEMENTS: Lessee agrees to furnish to Lessor annual unaudited financial statements setting forth the financial condition and results of operation of Lessee (financial statements shall include balance sheet and operations statement) within 120 days of the end of each fiscal year of Lessee signed by the chief financial officer of Lessee.

18. NO CHANGES IN LESSEE: Lessee shall not: (a) liquidate, dissolve or suspend business; (b) sell, transfer or otherwise dispose of all or a majority of its assets, except that Lessee may sell its inventory in the ordinary course of its business; (c) transfer all or any substantial part of its operations or assets outside of the United States of America; (d) fail to be directly or indirectly owned by RailAmerica, Inc.; or (e) without 30 days advance written notice to Lessor, change its name or chief place of business. Lessee shall at all times maintain a tangible net worth which is no less than the greater of 75% of its tangible net worth as of the date of the Master Lease Agreement or 75% of its highest tangible net worth thereafter.

19. LATE CHARGES: If any rent or other amount payable under the Lease is not paid when due, then as compensation for the administration and enforcement of Lessee's obligation to make timely payments, Lessee shall pay with respect to each overdue payment on demand an amount equal to the greater of fifteen dollars (\$15.00) or five percent (5%) of the each overdue payment (but not to exceed the highest late charge permitted by applicable law) plus any collection agency fees and expenses.

20. NOTICES; POWER OF ATTORNEY: (a) Service of all notices under the Lease shall be sufficient if given personally or couriered or mailed to the party involved at its respective address set forth herein or at such other address as such party may provide in writing from time to time. Any such notice mailed to

such address shall be effective three days after deposit in the United States mail with postage prepaid. (b) With respect to any power of attorney covered by the Lease, the powers conferred on Lessor thereby: are powers coupled with an interest; are irrevocable; are solely to protect Lessor's interests under the Lease; and do not impose any duty on Lessor to exercise such powers. Lessor shall be accountable solely for amounts it actually receives as a result of its exercise of such powers.

21. ASSIGNMENT BY LESSOR: Lessor and any assignee of Lessor, with or without notice to or consent of Lessee, may sell, assign, transfer or grant a security interest in all or any part of Lessor's rights, obligations, title or interest in the Equipment, the Lease, any Schedule or the amounts payable under the Lease or any Schedule to any entity ("transferee"). Any such sale or transfer shall not result in Lessee making a rental payment due under a individual Schedule to more than one party. The transferee shall succeed to all of Lessor's rights in respect to the Lease (including, without limitation, all rights to insurance and indemnity protection described in the Lease). Lessee agrees to sign any acknowledgment and other documents reasonably requested by Lessor or the transferee in connection with any such transfer transaction. Lessee, upon receiving notice of any such transfer transaction, shall comply with the terms and conditions thereof. Lessee agrees that it shall not assert against any transferee any claim, defense, setoff, deduction or counterclaim which Lessee may now or hereafter be entitled to assert against Lessor. Unless otherwise agreed in writing, the transfer transaction shall not relieve Lessor of any of its obligations to Lessee under the Lease and Lessee agrees that the transfer transaction shall not be construed as being an assumption of such obligations by the transferee.

22. NO ASSIGNMENT, SUBLEASE OR LIEN BY LESSEE: LESSEE SHALL NOT, DIRECTLY OR INDIRECTLY, (a) MORTGAGE, ASSIGN, SELL, TRANSFER, OR OTHERWISE DISPOSE OF THE LEASE OR ANY INTEREST THEREIN OR THE EQUIPMENT OR ANY PART THEREOF, OR (b) SUBLEASE, RENT, LEND OR TRANSFER POSSESSION OR USE OF THE EQUIPMENT OR ANY PART THEREOF TO ANY PARTY, OR (c) CREATE, INCUR, GRANT, ASSUME OR ALLOW TO EXIST ANY LIEN ON THE LEASE, ANY SCHEDULE, THE EQUIPMENT OR ANY PART THEREOF. Notwithstanding anything to the contrary contained herein, Lessee may interchange the Equipment with other carriers and may, in connection with a contract to haul goods, permit the shipper to take possession of the Equipment for the purposes of loading and unloading.

23. EXPIRATION OF LEASE TERM: (a) At least 90 days (or earlier if otherwise specified), but no more than 270 days prior to expiration of the Lease Term of each Schedule, Lessee shall give Lessor written notice of its electing one of the following options for all (but not less than all) of the Equipment covered by such Schedule: return the Equipment under clause (b) below; or purchase the Equipment under clause (c) below. The election of an option shall be irrevocable. If Lessee fails to give timely notice of its election, it shall be deemed to have elected to return the Equipment.

(b) If Lessee elects or is deemed to have elected to return the Equipment at the expiration of the Lease Term of a Schedule or if Lessee is obligated at any time to return the Equipment, then Lessee shall, at its sole expense and risk, insure and return the Equipment to Lessor (all in accordance with applicable industry standards) at any location on Lessee's line of railroad. The Equipment shall be in the same condition as when received by Lessee, reasonable

wear, tear and depreciation resulting from normal and proper use excepted (or, if applicable, in the condition set forth in the Lease or the Schedule), shall be in good operating order and maintenance as required by the Lease, shall be certified as being eligible for any available manufacturer's maintenance program, shall be free and clear of any Liens as required by the Lease, shall comply with all applicable laws and regulations and shall include all manuals, specifications, repair and maintenance records and similar documents. Until Equipment is returned as required above, all terms of the Lease shall remain in full force and effect including, without limitation, obligations to pay rent and insure the Equipment; provided, that after the expiration of any Schedule and before Lessee has completed its return of the Equipment or its purchase option (if elected), the term of the lease of the Equipment covered by such Schedule shall be month-to-month or such shorter period as may be specified by Lessor.

(c) If Lessee gives Lessor timely notice of its election to purchase Equipment, then on the expiration date of the applicable Schedule Lessee shall purchase all (but not less than all) of the Equipment and shall pay to Lessor the Fair Market Value of the Equipment plus all applicable Taxes (other than income taxes on Lessor's gains on such sale), costs and expenses incurred or paid by Lessor in connection with such sale plus all accrued but unpaid amounts due with respect to the Equipment and/or the Schedule. The Stipulated Loss Value or Economic Value of any item of Equipment shall have no bearing or influence on the determination of Fair Market Value under this clause (c). Upon payment in full of the above amounts, and if no default has occurred and is continuing under the Lease, Lessor shall transfer title to such Equipment to Lessee "as-is, where-is" with all faults and without recourse to Lessor and without any representation or warranty of any kind whatsoever by Lessor, express or implied; except that such Equipment shall be free and clear of Liens created by the Lessor.

(d) For purposes of the purchase option of the Lease, the determination of the Fair Market Value of any Equipment shall be determined (1) without deducting any costs of dismantling or removal from the location of use, (2) on the assumption that the Equipment is in the condition required by the applicable return and maintenance provisions of the Lease and is free and clear of any Liens as required by the Lease, and (3) shall be determined by mutual agreement of Lessee and Lessor or, if Lessor and Lessee are not able to agree on such value, by the Appraisal Procedure. "Appraisal Procedure" means the determination of Fair Market Value by an independent appraiser acceptable to Lessor and Lessee, or, if the parties are unable to agree on an acceptable appraiser, by averaging the valuation (disregarding the one which differs the most from the other two) of three independent appraisers, the first appointed by Lessor, the second appointed by Lessee and the third appointed by the first two appraisers. For purposes of the "Remedies" section of the Lease, the Fair Market Value shall be determined by Lessor in good faith and any such valuation shall be on an "as-is, where is" basis without regard to the first sentence of clause (d). All fees, costs and expenses of the above described appraisers shall be shared equally by the Lessee and Lessor.

24. **GOVERNING LAW:** THE INTERPRETATION, CONSTRUCTION AND VALIDITY OF THE LEASE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF OHIO. WITH RESPECT TO ANY ACTION BROUGHT BY LESSOR AGAINST LESSEE TO ENFORCE ANY TERM OF THE LEASE, LESSEE HEREBY IRREVOCABLY CONSENTS TO THE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT IN THE FRANKLIN COUNTY, OHIO, WHERE LESSOR HAS ITS PRINCIPAL PLACE OF BUSINESS AND WHERE PAYMENTS ARE TO BE MADE BY LESSEE.

25.. MISCELLANEOUS: (a) Subject to the limitations herein, the Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, successors and assigns. (b) This Master Lease Agreement and each Schedule may be executed in any number of counterparts, which together shall constitute a single instrument. Only one counterpart of each Schedule shall be marked "Lessor's Original" and all other counterparts shall be marked "Duplicate". A security interest in any Schedule may be created through transfer and possession only of the counterpart marked "Lessor's Original". (c) Section and paragraph headings in this Master Lease Agreement and the Schedules are for convenience only and have no independent meaning. (d) The terms of the Lease shall be severable and if any term thereof is declared unconscionable, invalid, illegal or void, in whole or in part, the decision so holding shall not be construed as impairing the other terms of the Lease and the Lease shall continue in full force and effect as if such invalid, illegal, void or unconscionable term were not originally included herein. (e) All indemnity obligations of Lessee under the Lease and all rights, benefits and protections provided to Lessor by warranty disclaimers shall survive the cancellation, expiration or termination of the Lease. (f) Lessor shall not be liable to Lessee for any indirect, consequential or special damages for any reason whatsoever. (g) Each payment made by Lessee shall be applied by Lessor in such manner as Lessor determines in its discretion which may include, without limitation, application as follows: first, to accrued late charges; second, to accrued rent; and third, the balance to any other amounts then due and payable by Lessee under the Lease. (h) If the Lease is signed by more than one Lessee, each of such Lessees shall be jointly and severally liable for payment and performance of all of Lessee's obligations under the Lease.

26. ENTIRE AGREEMENT: THE LEASE REPRESENTS THE FINAL, COMPLETE AND ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO. THERE ARE NO ORAL OR UNWRITTEN AGREEMENTS OR UNDERSTANDINGS AFFECTING THE LEASE OR THE EQUIPMENT. Lessee agrees that Lessor is not the agent of any manufacturer or supplier, that no manufacturer or supplier is an agent of Lessor, and that any representation, warranty or agreement made by manufacturer, supplier or by their employees, sales representatives or agents shall not be binding on Lessor.

* * * * *

27. JURY WAIVER: ALL PARTIES TO THIS MASTER LEASE AGREEMENT WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY ON ANY MATTER WHATSOEVER ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS MASTER LEASE AGREEMENT.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Master Lease Agreement as of the date first written above.

Banc One Leasing Corporation
Lessor

By:

Title:

[Signature]
MGR, FINDING

See attached signature page

Lessee

By:

Title:

[Signature]
V.P. + Controller

Lessee's Witness:

[Signature]

Regardless of any prior, present or future oral agreement or course of dealing, no term or condition of the lease may be amended, modified, waived, discharged, cancelled or terminated except by a written instrument signed by the party to be bound; except Lessee authorizes Lessor to complete the Acceptance Date of each schedule and the serial numbers of any equipment.

See attached signature page

Lessee

By:

Title:

[Signature]
V.P. + Controller

(mastleas.003)

CO-LESSEE SIGNATURE PAGE
MASTER LEASE

Master Lease Agreement Date: July 23, 1998

Lessee Name: Minnesota Northern Railroad, Inc.; Otter Tail Valley Railroad Company, Inc.; Saginaw Valley Railway Company, Inc.; St. Croix Valley Railroad Company; South Central Tennessee Railroad Corp.; West Texas and Lubbock Railroad Co., Inc.; Cascade and Columbia River Railroad Co.; Dakota Rail, Inc.; Delaware Valley Railway Co., Inc.; Huron and Eastern Railway Co., Inc.

This Lessee Signature Page is attached to the Master Lease described above between Banc One Leasing Corporation, as Lessor, and the Lessees identified above as Co-Lessees. Notwithstanding the identification of the Lessee on Page 1 of the Master Lease, the term "Lessee" shall mean all the Lessees identified above.

Lessees:

Minnesota Northern Railroad, Inc.

By: Larry W. Burk

Title: V.P.

Witness: Fay A. Musser

Lessees:

Otter Tail Valley Railroad Company, Inc.

By: Larry W. Burk

Title: V.P.

Witness: Fay A. Musser

Lessees:

Saginaw Valley Railway Company, Inc.

By: Larry W. Burk

Title: V.P.

Witness: Fay A. Musser

Lessees:

St. Croix Valley Railroad Company

By: _____

Lang W Bush

Title: _____

V.P.

Witness: _____

Fay A Musser

Lessees:

South Central Tennessee Railroad Corp.

By: _____

Lang W Bush

Title: _____

V.P.

Witness: _____

Fay A Musser

Lessees:

West Texas and Lubbock Railroad Co., Inc.

By: _____

Lang W Bush

Title: _____

V.P.

Witness: _____

Fay A Musser

Lessees:

Cascade and Columbia River Railroad Co.

By: _____

Lang W Bush

Title: _____

V.P.

Witness: _____

Fay A Musser

Lessees:

Dakota Rail, Inc.

By: _____

Lang W. Bush

Title: _____

V.P.

Witness: _____

Fay A Musser

Lessees:

Delaware Valley Railway Co., Inc.

By: _____

Title: _____

Witness: _____

Lessees:

Huron and Eastern Railway Co., Inc.

By: _____

Title: _____

Witness: _____

REGARDLESS OF ANY PRIOR, PRESENT OR FUTURE ORAL AGREEMENT OR COURSE OF DEALING, NO TERM OR CONDITION OF THE LEASE MAY BE AMENDED, MODIFIED, WAIVED, DISCHARGED, CANCELED OR TERMINATED EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY THE PARTY TO BE BOUND; EXCEPT LESSEE AUTHORIZES LESSOR TO COMPLETE THE ACCEPTANCE DATE OF EACH SCHEDULE AND THE SERIAL NUMBERS OF ANY EQUIPMENT.

Lessees:

Minnesota Northern Railroad, Inc.

By: _____

Title: _____

Lessees:

Otter Tail Valley Railroad Company, Inc.

By: _____

Title: _____

Lessees:

Saginaw Valley Railway Company, Inc.

By: _____

Title: _____

Lessees:

St. Croix Valley Railroad Company

By: Larry W Bush
Title: V. P.

Lessees:

South Central Tennessee Railroad Corp.

By: Larry W Bush
Title: V. P.

Lessees:

West Texas and Lubbock Railroad Co., Inc.

By: Larry W Bush
Title: V. P.

Lessees:

Cascade and Columbia River Railroad Co.

By: Larry W Bush
Title: V. P.

Lessees:

Dakota Rail, Inc.

By: Larry W Bush
Title: V. P.

Lessees:

Delaware Valley Railway Co., Inc.

By: Larry W Bush
Title: V. P.

Lessees:

Huron and Eastern Railway Co., Inc.

By: Larry W. Bush
Title: V. P.

CORPORATE ACKNOWLEDGMENT

State of Pennsylvania:

: SS.

County of Franklin :

The foregoing Master Lease Agreement was acknowledged before me this July 23, 1998

by (Officer's Name) Larry W. Bush

(Officer's Title)

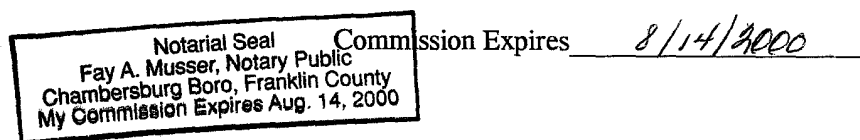
<u>V/P</u>	of	<u>Huron and Easter Railway Co., Inc.</u>
<u>V/P</u>	of	<u>Saginaw Valley Railway Company, Inc.</u>
<u>V/P</u>	of	<u>South Central Tennessee Railroad Corp.</u>
<u>V/P</u>	of	<u>Delaware Valley Railway Co., Inc.</u>
<u>V/P</u>	of	<u>Dakota Rail, Inc.</u>
<u>V/P</u>	of	<u>West Texas and Lubbock Railroad Co., Inc.</u>
<u>V/P</u>	of	<u>Cascade and Columbia River Railroad Co., Inc.</u>
<u>V/P</u>	of	<u>Otter Tail Valley Railroad Company, Inc.</u>
<u>V/P</u>	of	<u>Minnesota Northern Railroad, Inc.</u>
<u>V/P</u>	of	<u>St. Croix Valley Railroad Company, Inc.</u>

corporation, on behalf of the corporation.

[Notary Seal]

Gay A. Musser

Notary Public



CORPORATE ACKNOWLEDGMENT

State of Ohio:

: SS. .

County of Delaware :

The foregoing Master Lease Agreement was acknowledged before me this
July 27, 1998 by (Officer's Name) Todd Ehninger, (Officer's Title) Funding Manager, of Banc One Leasing
Corporation, an Ohio corporation, on behalf of the corporation.

[Notary Seal]

Frances E. Adams

Notary Public **FRANCES E. ADAMS**
Notary Public, STATE OF OHIO

Commission Expires My Commission Expires Feb. 10, 1999

EXHIBIT A TO LEASE

STIPULATED LOSS VALUE PERCENTAGES

Dated

7/27/98

Master Lease Agreement Date:

7/27/98Lease Number: 1000066780

Lessee Name: Huron and Eastern Railway Co., Inc.; Saginaw Valley Railway Company, Inc.; South Central Tennessee Railroad Corp.; Delaware Valley Railway Co., Inc.; Dakota Rail, Inc.; West Texas and Lubbock Railroad Co., Inc.; Cascade and Columbia River Railroad Co., Inc.; Otter Tail Valley Railroad Company, Inc.; Minnesota Northern Railroad, Inc.; St. Croix Valley Railroad Company, Inc.

Notwithstanding anything to the contrary in the Lease, the parties hereto agree that the Stipulated Loss Value for any item of Equipment which is subject to the above Lease shall be equal to all accrued rent and other amounts then due under the Lease as it relates to said item plus an amount equal to the Lessor's Cost of said item multiplied by the Stipulated Loss Value Percentage set forth below as of the applicable month of the Lease Term. Stipulated Loss Value shall also include any Taxes payable by Lessor in connection with its receipt thereof.

<u>MONTH OF LEASE TERM</u>	<u>STIPULATED LOSS AMOUNT</u>	<u>STIPULATED LOSS VALUE PERCENTAGE</u>
------------------------------------	---------------------------------------	---

0

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25
26
27
28
29
30
31
32
33
34
35

36
37
38
39
40
41
42
43
44
45
46
47

48
49
50
51
52
53
54
55
56
57
58
59

60
61
62
63
64
65
66
67
68
69
70
71

72
73
74
75
76
77
78
79
80
81
82
83

84
85
86
87
88
89
90
91
92
93
94
95
96

Termination values are due in addition to any
advance or arrears rent due on the same date.

IN WITNESS WHEREOF, the parties hereto have executed this Exhibit B to the above Lease as of the date
of said Lease

Lessee:

See attached signature page

By: _____

Title: _____

Lessor:

Banc One Leasing Corporation

By: *J. D. ...*

Title: *MR, FUNDING*

CO-LESSEE SIGNATURE PAGE
EXHIBIT A STIPULATED LOSS PERCENTAGES

Master Lease Agreement Date: July 23, 1998 Lease Number: 1000066780

Lessee Name: Minnesota Northern Railroad, Inc. Otter Tail Valley Railroad Company, Inc. Saginaw Valley Railway Company, Inc. St. Croix Valley Railroad Company, South Central Tennessee Railroad Corp. West Texas and Lubbock Railroad Co., Inc. Cascade and Columbia River Railroad Co. Dakota Rail, Inc. Delaware Valley Railway Co., Inc. Huron and Eastern Railway Co, Inc.

This Lessee Signature Page is attached to the Lease described above between Banc One Leasing Corporation, as Lessor, and the Lessees identified above as Co-Lessees. Notwithstanding the identification of the Lessee on the front of the Schedule the term "Lessee" shall mean all the Lessees identified above.

Lessees:

Minnesota Northern Railroad, Inc.

By: Larry W Bush

Title: V.P.

Witness: Fay A Musser

Lessees:

Otter Tail Valley Railroad Company, Inc.

By: Larry W Bush

Title: V.P.

Witness: Fay A Musser

Lessees:

Saginaw Valley Railway Company, Inc.

By: Larry W Bush

Title: V.P.

Witness: Fay A Musser

Lessees:

St. Croix Valley Railroad Company

By: _____

Larry W Bush

Title: _____

V.P.

Witness: _____

Fay A Musser

Lessees:

South Central Tennessee Railroad Corp.

By: _____

Larry W Bush

Title: _____

V.P.

Witness: _____

Fay A Musser

Lessees:

West Texas and Lubbock Railroad Co., Inc.

By: _____

Larry W Bush

Title: _____

V.P.

Witness: _____

Fay A Musser

Lessees:

Cascade and Columbia River Railroad Co.

By: _____

Larry W Bush

Title: _____

V.P.

Witness: _____

Fay A Musser

Lessees:

Dakota Rail, Inc.

By: _____

Larry W Bush

Title: _____

V.P.

Witness: _____

Fay A Musser

Lessees:

Delaware Valley Railway Co., Inc.

By: Larry W Bush

Title: J.P.

Witness: Fay A Musser

Lessees:

Huron and Eastern Railway Co., Inc.

By: Larry W Bush

Title: J.P.

Witness: Fay A Musser

EXHIBIT B TO LEASE SCHEDULE TERMINATION VALUE SCHEDULE

number of rent payments received	termination value	termination value % of cost
--	----------------------	-----------------------------------

- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31
- 32

33
34
35

36
37
38
39
40
41
42
43
44
45
46
47

48
49
50
51
52
53
54
55
56
57
58
59

60
61
62
63
64
65
66
67
68
69
70
71

72

73
74
75
76
77
78
79
80
81
82
83

84
85
86
87
88
89
90
91
92
93
94
95
96

Termination values are due in addition to any
advance or arrears rent due on the same date.

CO-LESSEE MASTER LEASE ADDENDUM

Master Lease: Master Lease Agreement Dated 7/27/98

Lessor: Banc One Leasing Corporation

Lessee: Huron and Eastern Railway Co., Inc. ; Saginaw Valley Railway Company, Inc. ; South Central Tennessee Railroad Corp. ; Delaware Valley Railway Co., Inc. ; Dakota Rail, Inc. ; West Texas and Lubbock Railroad Co., Inc. ; Cascade and Columbia River Railroad Co., Inc. ; Otter Tail Valley Railroad Company, Inc. ; Minnesota Northern Railroad, Inc. ; St. Croix Valley Railroad Company, Inc.

Reference is made to the above Master Lease Agreement ("Master Lease") by and between Banc One Leasing Corporation ("Lessor") and the above lessees (each a "Lessee", and collectively, the "Lessees"). This Addendum modifies the terms and conditions of the Master Lease. Unless otherwise defined herein, capitalized terms defined in the Master Lease shall have the same meaning when used herein (including, without limitation, the definition of "Lease" therein). For good and valuable consideration, receipt of which is hereby acknowledged, and in order to induce the execution of the Master Lease and Schedules thereto, Lessor and each Lessee hereby agree as follows:

1. Each of the Lessees identified above are jointly and severally obligated to pay and perform any and all obligations, liabilities and indemnities of the Lessee under the Lease. Each reference to the term "Lessee" in the Lease shall be deemed to refer to each of the Lessees identified above. Each representation and warranty made by the Lessee in the Lease shall be deemed to have been made by each of the above Lessees. Each agreement, covenant or undertaking on the part of the Lessee under the Lease shall be deemed individually applicable with respect to each of the above Lessees. Each event constituting a default or event of default under the Lease shall be determined with respect to each Lessee. A separate action or actions may be brought and prosecuted against any Lessee whether an action is brought against any other party or whether any other party is joined in any such action or actions. Each Lessee waives any right to require Lessor to: (a) proceed against any other Lessee or other party; (b) proceed against or exhaust any security held from any other Lessee or other party; or (c) pursue any other right or remedy whatsoever available to Lessor. Any notice under the Lease that is required to be provided to Lessee shall be effective if provided to any of the above Lessees. Any consent on the part of Lessee under the Lease shall be effective when provided by any of the above Lessee and Lessor shall be entitled to rely upon any notice or consent given by any of the above Lessee as being notice or consent given by all Lessees under the Lease.

2. In the event any obligation of Lessee under the Lease is deemed to be an agreement by any individual Lessee to answer for the debt, obligation or default of another individual Lessee (including each other) or as a hypothecation of property as security therefor, each Lessee represents and warrants that: (a) no representation or warranty has been made to said Lessee as to the creditworthiness of any Lessee or other obligor, and (b) said Lessee has established adequate means of obtaining from each Lessee and any other obligor on a continuing basis, financial or other information pertaining to each other party's financial condition. Each Lessee hereby expressly: (i) waives diligence, demand, presentment, protest and notice of every kind and nature whatsoever, (ii) consents to the taking by Lessor of any additional security for the obligations relating to the Lease, (iii) consents to the alteration or release in any manner of any security now or hereafter held in connection with any obligations now or hereafter relating to the Lease, and/or (iv) consents that Lessor and any obligor may deal with each other

in connection with any obligations relating to the Lease or any other obligations, and/or may alter any agreements or contracts now or hereafter existing between them, in any manner whatsoever, including, without limitation, the renewal, extension, acceleration, changes in time for payment, and/or increases or decreases in any rent, rate of interest or other amounts owing, all without in any way altering the liability of each Lessee, or affecting any security for such obligations. If any default or breach be made in the payment or performance of any obligations under the Lease or any other obligations or in the terms or conditions of any security held for any such obligations, then Lessor is hereby expressly given the right, at its option, to proceed in the enforcement of the Lease independently of any other right, remedy or security Lessor may at any time hold in connection with such obligations and it shall not be necessary for Lessor to proceed upon or against and/or exhaust any other security, right or remedy before proceeding to enforce its rights against any Lessee. Each Lessee further waives any right of subrogation, reimbursement, exoneration, contribution, indemnification, setoff or other recourse in respect of sums paid to Lessor by any other Lessee.

3. Except as expressly amended by this Addendum and other written instruments signed by the party to be bound, the Master Lease remains unchanged and in full force and effect. The modifications made pursuant to this Addendum shall apply to all existing and future Schedules under the Master Lease, and shall apply to all Schedules owned by Lessor or an assignee of Lessor for which Lessor executes this Addendum as such assignee's agent.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum as of the date of the Master Lease referenced above.

See attached signature page

(Lessee)

By: Larry W Bush
Title: V.P.

Fay A Musser
(Witness)

Banc One Leasing Corporation

(Lessor)

By: John A. Springer
Title: MGR, FUNDING

CO-LESSEE SIGNATURE PAGE
CO-LESSEE MASTER LEASE ADDENDUM

Master Lease Agreement Date: July 23, 1998 Lease Number: 1000066780

Lessee Name: Minnesota Northern Railroad, Inc.; Otter Tail Valley Railroad Company, Inc.; Saginaw Valley Railway Company, Inc.; St. Croix Valley Railroad Company; South Central Tennessee Railroad Corp.; West Texas and Lubbock Railroad Co., Inc.; Cascade and Columbia River Railroad Co.; Dakota Rail, Inc.; Delaware Valley Railway Co., Inc.; Huron and Eastern Railway Co., Inc.

This Lessee Signature Page is attached to the Lease described above between Banc One Leasing Corporation, as Lessor, and the Lessees identified above as Co-Lessees. Notwithstanding the identification of the Lessee on the front of the Schedule the term "Lessee" shall mean all the Lessees identified above.

Lessees:

Minnesota Northern Railroad, Inc.

By: Lang W Bush

Title: V.P.

Witness: Fay A. Musser

Lessees:

Otter Tail Valley Railroad Company, Inc.

By: Lang W. Bush

Title: V.P.

Witness: Fay A Musser

Lessees:

Saginaw Valley Railway Company, Inc.

By: Lang W Bush

Title: V.P.

Witness: Fay A Musser

Lessees:

St. Croix Valley Railroad Company

By: _____

Lang W Bush

Title: _____

V. P.

Witness: _____

Fay A. Musser

Lessees:

South Central Tennessee Railroad Corp.

By: _____

Lang W Bush

Title: _____

V. P.

Witness: _____

Fay A. Musser

Lessees:

West Texas and Lubbock Railroad Co., Inc.

By: _____

Lang W Bush

Title: _____

V. P.

Witness: _____

Fay A. Musser

Lessees:

Cascade and Columbia River Railroad Co.

By: _____

Lang W Bush

Title: _____

V. P.

Witness: _____

Fay A. Musser

Lessees:

Dakota Rail, Inc.

By: _____

Lang W Bush

Title: _____

V. P.

Witness: _____

Fay A. Musser

Lessees:

Delaware Valley Railway Co., Inc.

By: _____

Lang W Bush
J.P.

Title: _____

Witness: _____

Fay A Mussur

Lessees:

Huron and Eastern Railway Co., Inc.

By: _____

Lang W Bush
J.P.

Title: _____

Witness: _____

Fay A Mussur

CORPORATE ACKNOWLEDGMENT

State of Pennsylvania :

: SS.

County of FRANKLIN :

The foregoing Co-Lessee Master Lease Agreement was acknowledged before me this July 23, 1998
1998 by (Officer's Name) Larry W. Bush,

(Officer's Title)

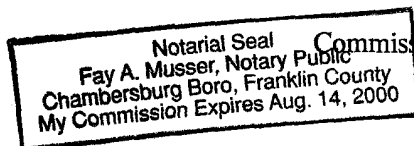
<u>V/P</u>	,	of	<u>Huron and Easter Railway Co., Inc.</u>
<u>V/P</u>	,	of	<u>Saginaw Valley Railway Company, Inc.</u>
<u>V/P</u>	,	of	<u>South Central Tennessee Railroad Corp.</u>
<u>V/P</u>	,	of	<u>Delaware Valley Railway Co., Inc.</u>
<u>V/P</u>	,	of	<u>Dakota Rail, Inc.</u>
<u>V/P</u>	,	of	<u>West Texas and Lubbock Railroad Co., Inc.</u>
<u>V/P</u>	,	of	<u>Cascade and Columbia River Railroad Co., Inc.</u>
<u>V/P</u>	,	of	<u>Otter Tail Valley Railroad Company, Inc.</u>
<u>V/P</u>	,	of	<u>Minnesota Northern Railroad, Inc.</u>
<u>V/P</u>	,	of	<u>St. Croix Valley Railroad Company, Inc.</u>

corporation, on behalf of the corporation.

[Notary Seal]

Fay A. Musser

Notary Public



Commission Expires 8-14-2000

CORPORATE ACKNOWLEDGMENT

State of Ohio:

: SS.

County of Delaware :

The foregoing Co-lessee Master Lease Addendum was acknowledged before me this
July 27, 1998 by (Officer's Name) Todd Ehninger, (Officer's Title) Funding Manager, of Banc One Leasing
Corporation, an Ohio corporation, on behalf of the corporation.

[Notary Seal]

Frances E. Adams

Notary Public **FRANCES E. ADAMS**

Notary Public, STATE OF OHIO

Commission Expires My Commission Expires Feb. 10, 1999